**International Trade**

What you don’t know *will* hurt you

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For centuries, individuals and organisations have been conducting business transactions that extend beyond the boundaries of their own borders. Long ago, societies recognised the advantages of sourcing goods that were either not available at all, or not available in sufficient quantities in their own countries. These goods were sourced from countries that were willing to trade them for goods that they themselves required.

This is demonstrated by the creation of “The Silk Road”, which was a series of interconnected routes between China and the Mediterranean. These routes date back to 200 BC and were used by merchants to reach distant markets in order to trade not just silk, but other commodities, from gold and ivory to exotic animals and plants. It is generally accepted that this trade was largely responsible for the development of the early great civilisations, which in turn contributed to shaping the modern world.

More recently, the nature and intensity of competitive forces and other significant factors have strongly influenced many more businesses to take advantage of the benefits to be gained from trading and investing in a global marketplace. More and more organisations now are no longer limiting their opportunities by looking solely within their own political borders in order to expand, or in some cases, just to remain viable.

***Over the last three decades, the growth rate in international trade has consistently outperformed the growth in world output, and trade has grown from US$200 billion to over US$13 trillion.***

Apart from statistics that evidence our increasing dependence on global trade and investment, there is also mounting tangible evidence that demonstrates this fact. Our supermarkets and department stores are filled with imported goods. Finished products are assembled with components made in a range of different countries. Services such as telecommunications, insurance, banking and transport have become more competitive with the entry into our market of overseas-owned providers. There is a much greater variety of products for us to choose from and our consumer habits are becoming more globally standardised. What is not so obvious to the consumer is the extent to which we contribute to the global economy by exporting our goods and services and participating in a number of other international business activities. So not only do we now have access to a much greater variety of goods and services, we also benefit from the exposure that our businesses now have to a significantly bigger market and a much larger number of customers internationally.



***Businesses need to be dynamic and respond to the changing business environment and can simply not afford to not know or ignore what’s going on*.**

The globalisation of markets is now a major feature of the business environment and like it or not, this phenomenon is not only here to stay but will continue to gain momentum. Businesses therefore need to be dynamic and respond to the changing business environment and can simply not afford to not know or ignore what’s going on. There needs to be a greater understanding of the ever-expanding environment that businesses operate within, and the effect that these growing and more powerful external forces have on their operations. New opportunities must be identified, evaluated and pursued. The risks involved in pursuing these opportunities, and the risks involved in not pursuing these opportunities must be carefully considered.

Organisations that don’t identify and adapt appropriately to changes to their operating environment will struggle to survive. Those that do will gain a competitive advantage and thrive.

However, it is not enough just to understand what’s going on. You must also know how to respond; what needs to be done and how it should be done in order to fully capitalise on the opportunities and effectively minimise the threats. The first step is to understand that there are significant differences between conducting business internationally and domestically. Transactions that are conducted across national borders between parties in different countries involve understanding and adapting to legal, political, economic and cultural differences. Differences that have a big impact on how business is conducted. Differences that add to the complexity of trading internationally and therefore require participants to gain additional specific knowledge and expertise.

***Not having the required knowledge is dangerous and making incorrect decisions and mistakes can be very costly.***

Knowledge of the regulations, conventions, procedures, processes and other aspects of conducting business internationally is required. This information that specifically relates to international trade, when combined with that relating to domestic business operations is needed in order to make informed and effective business decisions. Not having the required knowledge is dangerous, making incorrect decisions and mistakes can be very costly and you may never get the opportunity to utilise what you learned from these mistakes.

***Turn to those who know what you need to know and can help you make better and more informed decisions.***

Seek the assistance of experts. Take advantage of the knowledge, experience, skills and expertise of those who can provide relevant and practical information and



advice. Turn to those who know what you need to know and can help you make better and more informed decisions. Provide opportunities for your employees to learn and grow. These initiatives will significantly add value and make a substantial positive contribution to the success of your business.

Remember, your best risk management tool is knowledge because what you don’t know *will* hurt you.

Sebastian Ioppolo is the author of two top selling books on International Trade: *‘Import/Export: A Practical Guide for Australian Business’* and *‘Importing and Exporting: 24 Lessons to Get You Started’.* He has over twenty years of experience as an international trade practitioner and now shares that experience by teaching International Business at Victoria University in Melbourne as well as conducting seminars, facilitating short courses and consulting throughout Australia via his business Mondiale Learning and Development.

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